

# ORIGINAL

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## ARIZONA CORPORATION COMMISSION

November 5, 2007

### CERTIFIED MAIL

Ms. Tammy Zudell  
Yarnell Water Improvement Association, Inc.  
Post Office Box 77  
Yarnell, Arizona 85362

RE: YARNELL WATER IMPROVEMENT ASSOCIATION, INC. - APPLICATION FOR A  
RATE INCREASE, DOCKET NO. W-02255A-07-0570

### LETTER OF DEFICIENCY

Dear Ms. Zudell:

In reference to your rate application received on October 5, 2007, this letter is to inform you that your application has not met the sufficiency requirements as outlined in Arizona Administrative Code R14-2-103.

Staff has found several deficiencies with your application, which are listed on a separate attachment. The 30-day sufficiency determination period will begin anew when the Company corrects the deficiencies and Docket Control receives an original and sixteen copies of the corrected pages.

You have 15 calendar days, or until November 20, 2007, to correct the deficiencies or make other arrangements with Staff to remedy your rate application. If the corrections or other arrangements are not made by the above date, Staff will request your docket number be administratively closed. Docket Control will retain one copy of the original application for Commission records. You may file an original and sixteen copies of an updated application at a later date.

Arizona Corporation Commission

**DOCKETED**

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Ms. Tammy Zudell  
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The Staff person assigned to your application is Charles R. Myhlhousen. He can be reached at (602) 542-0863, or toll free at (800) 222-7000, if you have any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read 'Abināh' with a stylized flourish at the end.

Elijah Abināh  
Assistant Director/Acting Chief Accountant  
Financial & Regulatory Analysis Section  
Utilities Division

EOA:CRM:tdp

CC: Docket Control Center (sixteen copies)  
Lyn Farmer, Hearing Division  
Delbert Smith, Engineering  
Consumer Services  
Legal Division

**YARNELL WATER IMPROVEMENT ASSOCIATION  
DOCKET NO. W-02255A-07-0570  
TEST YEAR ENDED DECEMBER 31, 2006**

**ATTACHMENT OF DEFICIENCIES (11/5/2007)**

- 1.1 The entire application is deficient because the Company is a Class C utility and the rate increase application is filed on forms for a Class D or E utility.
- 1.2 However Staff is willing to waive this requirement if all of the deficiencies listed below are corrected in a timely manner.
- 1.3 Please furnish the completed page 1 of the application.
- 1.4 Page 13. Plant Cost Additions and Retirements by Year Schedule. Why are there two different versions of costs of plant additions and retirements for the years 2005 and 2006? The costs on these two pages are not the same amount for the same plant items. Please reconcile the pages and amounts and combine the two pages into one page.
- 1.5 Page 14. Plant Cost Summary Schedule. Please correct the 12/31/2004, plant in service per detail column per the Commission last Decision No. 68747 and Staff's prior audit report dated 3/27/2006, Schedule CRM-2 page 2 of 3. Also correct the 2006 test year end total column to reflect changes made in the 12/31/2004, plant in service per detail column.
- 1.6 Page 14 A/D. Plant Accumulated Depreciation Summary Schedule. Please correct the plant in service per detail column for 12/31/2004, to the plant balances per the Commission Decision No. 68747 and Staff's prior audit report dated 3/27/2006, Schedule CRM-2 page 3 of 3. Please reconcile page 14 A/D and page 14 plant in service per detail total water plant amounts so that they are the same.
- 1.7 Page 15. Utility Plant in Service Schedule. Please correct the 2006 test year ending original cost column to reflect the plant balances per Staff's prior audit report dated 3/27/2006, Schedule CRM-2, plus any additions and retirements for years 2005 and 2006. Also correct the accumulated depreciation column to reflect the accumulated depreciation per Commission Decision No. 68747 and Staff's prior audit report dated 3/27/2006, Schedule CRM-2 page 3 of 3. Also correct the OCLD column to reflect the changes made in the other two columns.
- 1.8 Page 20. Utility Plant in Service Calculation of Depreciation Expense Schedule. Please correct 2006 test year ending original cost column so that the plant amounts will reconcile with the corrected changes to amounts on page 15 of the 2006 test year ending original cost column. Also after these changes are made please recompute the depreciation expense amounts in the depreciation expense column.
- 1.9 Please letter and number all of the schedules columns and pages as shown on the application forms on the Commission web site.

**YARNELL WATER IMPROVEMENT ASSOCIATION  
DOCKET NO. W-02255A-07-0570  
TEST YEAR ENDED DECEMBER 31, 2006**

**ATTACHMENT OF DEFICIENCIES (11/5/2007)**

- 1.10 Please furnish the plant invoices for plant additions made in years 2005 and 2006 for all plant additions costing \$150 and over. The only invoice provided was for the vehicle purchased.
- 1.11 Pages 21 and 22. Balance Sheet Schedule. Please make the appropriate changes that are necessary on the balance sheet because of the changes in plant and accumulated depreciation.
- 1.12 Please correct these current tariff items: Add Standpipe/Bulk water per 1,000 gallons \$10.00. After hours surcharge of \$20.00 should be establishment (after hours) \$60.00.
- 1.13 Please correct the customer notification letter. Please use the example shown in the application on the web site. Also include the corrected pages 9 and 11 with the notification letter when it is resent to the customers.
- 1.14 Please furnish a notarized statement that the customer notification letter and pages 9 and 11 of the tariff were re-mailed to the customers and the date mailed.
- 1.15 The Company states on page 6 of the application that it had 531 customers during the test year but, on page 17 the Company shows 609 customers meters. Please explain and reconcile these numbers.
- 1.16 In Docket No. W-02255A-05-0678 Staff had defined that the Company had a 22 percent water loss during the 2004 test year and recommended the Company reduce the water loss to less than 10 percent. Staff recommended that the Company must submit a detailed cost analysis and explanation demonstrating why water loss reduction to less than 10 percent is not cost effective before the next rate case filing. In this filing, Staff determined that the water loss in the Company's system was 17.8 percent during the 2006 test year. There is no detailed cost analysis and explanation demonstrating why water loss reduction to less than 10 percent is not cost effective been submitted. Please submit.